

■ During the first half of 1969 the economic environment in the industrialized nations was characterized by rising interest rates while most stock markets moved higher initially, but declined in the second quarter and during July.

Although the United States started negotiations to arrive at a settlement in Vietnam fourteen months ago, the conflict continues to be a burden on the American economy. Despite a persistent policy of monetary restraint domestically, the rate of inflation remained at a fairly high level. However, the real growth rate of the economy did slow down from the very high level reached in the first half of 1968. The trade balance remained unsatisfactory due to Vietnam, a dock strike early in the year, and continuing inflationary pressures. Recurring hopes of peace in Vietnam contributed to fluctuations in the stock market until a high for the year was reached in May. Since then prices of industrial stocks, as measured by the Dow Jones Index, declined close to 15% until the end of July.

Like their American counterparts, the monetary authorities in Canada have followed a restrictive monetary policy to reduce the rate of inflation and to gradually dispel the inflationary expectations. During the first quarter of 1969, the Canadian economy moved ahead at a rapid pace. Recent preliminary statistics indicate that the rate of growth may have slowed down during the second quarter. Canadian exports continued to move ahead but as imports are growing faster, the trade surplus is narrowing. Canadian stock prices moved ahead gradually until a peak was reached in May, from which time prices declined.

Britain also moved towards tighter money, which contributed to slow growth in the economy. A number of months of encouraging foreign trade figures was followed by rather disappointing results in the late winter months, thereby creating doubt as to whether the long expected gradual improvement in the trade

deficit is coming through. After a vigorous rise in the stock market during 1968, British stock indices peaked in January and then declined approximately 25% until the end of July.

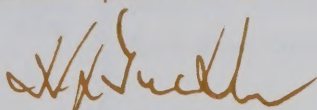
Thus far in 1969 the Japanese economy has maintained its vigorous growth. The trade surplus increased considerably during the first half of 1969 vis à vis the comparable period in 1968. As a result the Japanese foreign exchange reserves increased from the \$2 bln. level at mid 1968 to just over \$3 bln. by mid 1969. The Japanese stock market moved ahead sharply until early June, followed by a relatively moderate correction.

Economic activity in Germany, Italy and Holland continued to show significant growth in the first half of 1969. In Germany and Italy this was accompanied by a strong balance of payments, but in Holland the upward pressure on wages and prices and a less satisfactory trade balance induced the government to take restrictive measures to cool off the economy. Stock markets in Germany and Holland fluctuated at a high level during the first half of 1969, while Italian stocks showed some recovery from a rather depressed level.

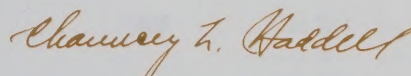
Economic activity in France continued to grow satisfactorily. However, the external trade results were disappointing. This led the French government to devaluation of the French franc on August 8th. French stock prices showed a vigorous rally until June, then a decline set in.

On August 27th, 1969, the directors of United Funds Canada-International Ltd. declared a dividend payable from income of 7.7¢ per share and from capital gains of 14.3¢ per share payable September 12th, 1969 to shareholders of record August 29th, 1969.

The Fund's net asset value at July 31st, 1969 was \$7.64 per share, which compares with \$7.17 per share at July 31st, 1968 and \$8.00 per share at January 31st, 1969.



Sir Henry Tucker
Chairman



Chauncey L. Waddell
President

HISTORICAL INFORMATION

EXPRESSED IN UNITED STATES DOLLARS

Year Ended July 31	1965	1966	1967	1968	1969
Net asset value July 31	\$5.45	\$5.07	\$5.98	\$7.17	\$7.64
Dividends from net income	8.00¢	7.30¢	7.00¢	5.50¢	4.00¢
Distributions from realized security gains	6.25¢	5.70¢	—	—	—



INVESTMENT PORTFOLIO

EXPRESSED IN UNITED STATES DOLLARS

JULY 31, 1969

COMMON STOCKS

Number of Shares
or Par Value

Cost

Market Value

BEVERAGES AND FOOD 7.2%

Distillers Corporation — Seagrams Ltd. . . .	6,700	\$ 147,687	\$ 298,123
Oshawa Wholesale Limited "A"	8,200	107,637	224,241
Pamida Incorporated	7,000	183,177	175,000
		438,501	697,364

CHEMICALS, DRUGS AND COSMETICS 7.5%

Farbenfabriken Bayer A. G.	3,300	175,706	154,143
Schering A. G. (a)	3,501	154,932	412,768
Shiseido Company Ltd.	50,000	34,175	159,500
		364,813	726,411

ELECTRICAL AND ELECTRONICS 14.2%

A.G.T. Data Systems Ltd. (a)	5,600	44,755	90,846
Computel Systems Ltd. (a)	3,000	8,281	47,277
Digital Equipment Corporation (a)	4,000	179,860	247,500
Dataline Systems Ltd.	2,000	20,427	13,905
L. M. Ericsson "B" (a)	5,000	103,854	260,650
International Business Machines	1,000	349,989	324,500
Matsushita Electric Industrial Co. Ltd.	150,000	204,035	270,000
Westinghouse Electric Corporation	2,000	132,412	112,000
		1,043,613	1,366,678

INSURANCE 4.0%

Nationale-Nederlanden N.V. FL 96,800		181,045	247,963
Reed, Shaw, Osler Ltd.	7,000	93,334	133,835
		274,379	381,798

INVESTMENT PORTFOLIO

EXPRESSED IN UNITED STATES DOLLARS

JULY 31, 1969

	COMMON STOCKS (cont'd)	Number of Shares or Par Value	Cost	Market Value
MINING AND METALLURGY 7.4%	Falconbridge Nickel Mines Limited	2,600	\$ 141,253	\$ 297,659
	Le Nickel S.A. (a)	11,463	263,500	401,434
	Societa Finanziaria Siderurgica per Azioni, Warrants (a)	355,500	91,120	14,220
			495,873	713,313
OIL 8.4%	French Petroleum Company of Canada Ltd (a)	25,000	136,441	220,162
	Imperial Oil Limited	20,000	286,450	338,355
	Royal Dutch Petroleum N.V.	3,093	83,170	136,092
	Société Nationale des Pétroles d'Aquitaine (S.N.P.A.)	960	95,044	111,888
			601,105	806,497
MISCELLANEOUS 15.3%	Compagnie Générale des Etablissements Michelin "B"	1,600	263,384	399,376
	Ebasco Industries Inc.	3,500	173,383	241,938
	Famous Players Canadian Corp. Ltd.	5,200	47,759	66,280
	Famous Players Canadian Corp. Ltd. Warrants	520	—	1,543
	Rank Organisation Limited "A"	44,000	219,055	415,360
	Thomson Newspapers Limited	10,000	48,076	141,367
	Y. & R. Properties Limited	15,000	118,398	100,811
	Cadillac Development Corp. Ltd.	15,000	141,118	112,978
			1,011,173	1,479,653
	TOTAL COMMON STOCKS: 64.0%		4,229,457	6,171,714

INVESTMENT PORTFOLIO

EXPRESSED IN UNITED STATES DOLLARS

JULY 31, 1969

	Number of Shares or Par Value	Cost	Market Value
PREFERRED STOCKS: 2.6%			
Hudson's Bay Oil & Gas Co. Ltd. 5% "A"			
Convertible	5,000	237,278	254,925
TOTAL STOCKS: 66.6%		4,466,735	6,426,639
BONDS AND DEBENTURES			
CONVERTIBLE: 11.9%			
Acklands Limited			
7½% "A" June 15, 1988	CDN\$300,000	278,390	285,052
Beecham International Holdings S.A.			
5½% July 31, 1981	US\$250,000	250,000	367,500
N.V.G.B.V.A. Philips Gloeilampenfabrieken			
4¾% June 30, 1983	US\$500,000	565,477	500,000
		1,093,867	1,152,552

INVESTMENT PORTFOLIO

EXPRESSED IN UNITED STATES DOLLARS

JULY 31, 1969

OTHER: 11.9%	Number of Shares or Par Value	Cost	Market Value
Cadillac Development Corp. Ltd. 8% Series "E" Dec. 15, 1988	CDN\$75,000	46,564	53,534
U.S.A. Treasury Bond 4 1/4 % May 15, 1974	US\$1,100,000	1,100,000	1,100,000
		1,146,564	1,153,534
TOTAL BONDS AND DEBENTURES 23.8%		2,240,431	2,306,086
TOTAL INVESTMENT SECURITIES 90.4%		\$ 6,707,166	\$ 8,732,725

The majority of the investment securities are listed on Canadian and foreign stock exchanges and are valued on the basis of reported sales on July 31, 1969, or, if no sale is reported, at a price between the bid and asked price. Over-the-counter quotations are used in the absence of stock exchange quotations. Foreign currencies have been converted to United States dollars on the basis set forth in note 5 to these financial statements. Symbols used in the Investment Portfolio statement are:

FL — Guilders

CDN\$ — Canadian Dollars

(a) — Securities on which no dividends or interest were paid during the preceding twelve months.

The cost of investment securities owned at July 31, 1969 for United States income tax purposes aggregated \$6,707,166.



FINANCIAL STATEMENTS

EXPRESSED IN UNITED STATES DOLLARS

July 31, 1969

ASSETS AND LIABILITIES

ASSETS

Investment securities-at market value (note 1) (identified cost \$6,707,166) (see accompanying schedule):		
Stocks—		
Canada		\$ 2,342,307
United States		1,100,938
France		912,698
Germany		566,911
Japan		429,500
United Kingdom		415,360
Netherlands		384,055
Sweden		260,650
Italy		14,220
		6,426,639
Bonds and debentures —		
Convertible	1,152,552	
Other	1,153,534	2,306,086
Total investment securities		8,732,725
Cash		378,378
Dividends and accrued interest receivable		36,610
Accounts receivable for investment securities sold		551,278
		9,698,991

LIABILITIES

Accounts payable:		
For shares redeemed	12,629	
For investment securities purchased	8,354	
Other	17,327	
Canadian income and other taxes payable (note 2)	3,836	42,146
		42,146
Net assets applicable to 1,263,584 capital shares outstanding, equivalent to \$7.64 per share		\$ 9,656,845

CAPITAL SHARES AND SURPLUS

CAPITAL SHARES AND SURPLUS

Capital shares (note 3):		
Authorized — shares of par value \$1.00 Canadian 1,000 deferred shares		
10,000,000 common shares (less 3,558,508 shares redeemed and cancelled)		
Outstanding — 1,263,584 common shares		\$ 1,190,604
Surplus:		
Paid-in surplus	4,848,647	
Undistributed net income	463,552	
Accumulated realized gain on sale of investments	1,128,483	6,440,682
Total capital shares and surplus		7,631,286
Unrealized appreciation of investments		2,025,559
Net assets applicable to outstanding shares		\$ 9,656,845

On behalf of the Board:

A. Mc D. McBain, Director — R. S. C. Donald, Director

(See notes to financial statements)

FINANCIAL STATEMENTS

EXPRESSED IN UNITED STATES DOLLARS

July 31, 1969

INCOME AND EXPENSE

INCOME

Dividends	\$ 116,276
Interest	98,068
	<u>214,344</u>

EXPENSES

Management fees (note 4)	52,476	
Legal and audit	12,698	
Custodian fees	10,261	
Directors' fees	6,800	
Printing and stationery	4,670	
Transfer agent and registrar fees and expenses	3,604	
Expenses otherwise unclassified	2,877	93,386
		<u>120,958</u>
Income before taxes on income		120,958
Foreign income taxes deducted at the source	10,166	
Provision for Canadian income taxes (note 2)	16,834	27,000
		<u>93,958</u>
Net income	\$	<u><u>93,958</u></u>

GAIN ON SALE OF INVESTMENTS

Proceeds from sales (excluding short term corporate note redemptions)	\$ 5,424,347
Aggregate cost (identified cost basis)	4,602,738
	<u>821,609</u>
Net gain	<u><u>\$ 821,609</u></u>

Use of the average cost basis would have
resulted in a net gain of \$828,861

UNREALIZED DEPRECIATION OF INVESTMENTS

Unrealized appreciation at beginning of year	\$ 2,172,119
Unrealized appreciation at end of year	2,025,559
	<u>146,560</u>
Unrealized depreciation during the year	<u><u>\$ 146,560</u></u>

(See notes to financial statements)

NET ASSETS, July 31, 1968:

Capital	\$ 9,788,435	
Undistributed net income	482,680	\$10,271,115

INCOME

Net income for the year	93,958	
Dividends paid in cash (4¢ per share)	(56,632)	
Undistributed net income included in the price of shares redeemed	(56,454)	(19,128)

**CHANGES IN
NET ASSETS**

CAPITAL

Cost of 169,056 capital shares redeemed (exclusive of \$56,454 allocable to undistributed net income)	(1,270,191)	
Realized gain on sale of investments	821,609	
Unrealized depreciation of investments	(146,560)	(595,142)

NET ASSETS, July 31 1969:

Capital	9,193,293	
Undistributed net income	463,552	\$ 9,656,845

(See notes to financial statements)

During the year ended July 31, 1969 payments to affiliated persons were as follows: Directors' fees aggregated \$6,800. Certain officers and directors of United Funds Canada-International Ltd. were affiliated with the following organizations to which payments were made during the period — management fees to United Funds Management Ltd. of \$52,476 and legal fees to Valicenti Leighton Reid & Pine of \$1,375 and to Campbell, Godfrey & Lewtas of \$1,949.

In the year ended July 31, 1969 the company purchased securities totalling \$7,362,255 as follows:

Stocks	\$5,215,311
Short term notes	1,000,000
Bonds and debentures	1,146,944
	\$7,362,255

**SUPPLE-
MENTARY
INFORMATION**

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1. The company's investments are stated at market value at July 31, 1969, to facilitate the computation of net asset value and net asset value per share on a market value basis at that date. In the accounts of the company, however, investments are stated at cost and not adjusted for fluctuations in market value.
 2. The Fund has elected to be taxed as a "non-resident-owned investment corporation" and the provision for Canadian income taxes for the year ended July 31, 1969 has been computed at 15% on its taxable income (i.e. the excess of income including dividends from other corporations, over expenses and foreign income taxes).
 3. The common shares are redeemable at the option of the holder at their net asset value. As a condition of obtaining permission to register with the Securities and Exchange Commission, the Fund has agreed not to issue any of its deferred shares, which were created to permit redemption of common shares under Canadian law.
 4. Management fees payable to United Funds Management Ltd. have been computed on the basis of $\frac{1}{2}\%$ per annum of the average daily net asset value.
 5. Foreign currency amounts included in the financial statements have been translated into United States dollars on the following bases:
 - a) Market value of investment securities, assets, and liabilities, at the current free rate of exchange on July 31, 1969.
 - b) Purchases and sales of investment securities, income and expenses at the approximate rate of exchange prevailing on the respective dates of such transactions.
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AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND THE SHAREHOLDERS OF
UNITED FUNDS CANADA-INTERNATIONAL LTD.:

We have examined the statements of assets and liabilities and capital shares and surplus and investment portfolio of United Funds Canada-International Ltd. as at July 31, 1969 and the related statements of income and expense, gain on sale of investments, unrealized depreciation of investments and changes in net assets for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Securities owned at July 31, 1969 were verified by confirmation received directly either from the custodian or from brokers in respect of securities purchased but not received.

In our opinion, these financial statements, (adjusted as explained in note 1), present fairly the financial position of United Funds Canada-International Ltd. as at July 31, 1969 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
August 18, 1969

Arthur Young, Clarkson, Gordon & Co.
Chartered Accountants

AR01

DIRECTORS

Sir Henry Tucker
Hamilton, Bermuda

Rodney S. C. Donald
Toronto, Ontario

Chauncey L. Waddell
New York, N.Y.

William C. Cates
New York, N.Y.

Robert F. Lynch
New York, N.Y.

Henry R. Jackman, Q.C.
Toronto, Ontario

George P. Rutherford
New York, N.Y.

Richard O. Loengard
New York, N.Y.

Allen J. Nix
New York, N.Y.

Dominique de Grièges
Paris, France

Graham M. MacLachlan
Toronto, Ontario

Sir Antony Hornby
London, England

Robert E. Hentsch
Geneva, Switzerland

Bonny H. Boncompagni
New York, N.Y.

James W. Angell
West Chop, Mass.

Alex. McD. McBain
Toronto, Ontario

Gabriel Neumann
New York, N.Y.

UNITED FUNDS

Canada-International Limited



Annual Report

July 31, 1969

OFFICERS

Sir Henry Tucker
Chairman of the Board

Chauncey L. Waddell
President

Alex. McD. McBain
Vice-President

Rodney S. C. Donald
Exec. Vice-President

Ralph Horner
Vice-President

Robert F. Lynch
Vice-President

John M. Godfrey, Q.C.
Secretary

John Wm. Galbraith
Vice-President

William R. Miller
Treasurer

INVESTMENT MANAGER
UNITED FUNDS MANAGEMENT LTD.
Toronto

UNDERWRITER
WADDELL & REED, INC.
Kansas City New York

LEGAL COUNSEL
CAMPBELL, GODFREY & LEWTAS
Toronto

VALICENTI LEIGHTON REID & PINE
New York

CUSTODIAN
THE CHASE MANHATTAN BANK
New York

TRANSFER AGENT and REGISTRAR
COMMERCE TRUST COMPANY
Kansas City

AUDITORS
ARTHUR YOUNG, CLARKSON, GORDON & CO.
Toronto

